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SUBJECT: EGYPT'S ECONOMY: JULY 6 PRESS ROUND-UP

11. (U) The following are notable economic news stories that appeared over the past week in the Egyptian press:

GDP Growth Accelerates in Q3 2008/2009

12. (U) The Egyptian Ministry of Finance released official statistics last week showing that GDP grew at a rate of 4.7% in fiscal Q3 2008/09 (January-March 2009), an improvement over Q2 FY 2008/09 GDP growth of 4.1%, but well below the 6.9% growth rate in the same quarter a year ago. (Al Alam Al Youm, 7/5/2009)

Budget Deficit Increases in FY 2009/10

13. (U) The Egyptian 2009/10 fiscal year began July 1. According to the Ministry of Finance, expenditures are expected to reach LE324 billion (US\$58 billion), down from LE356 billion (US\$63.7 billion) in FY2008/09, while revenues are expected to fall to LE225 billion (US\$40.3 billion) in FY 2009/10 from LE290 billion (US\$51.9 billion) during the last fiscal year. The resulting budget deficit is projected to be LE98.9 billion (US\$17.7 billion), or 8.4% of projected GDP, up from 6.9% of GDP for FY 2008/09. (Al Ahram, 6/30/2009)

Egypt Doubles Export Duty on Rice

14. (U) The Egyptian Ministry of Trade and Industry issued a decree July 5 raising the export duty on rice to LE2000 (US\$357) per ton, twice as much as the previous tariff level of LE1000 (US\$179) per ton. According to reports, the Ministry raised the export tariff in order to prevent manipulative practices by rice exporters. Some exporters have been trying to circumvent a government ban on rice exports, in effect since March 2008, by supplying rice to the General Authority for Supply Commodities (GASC) for as low as LE1 (US\$0.18) per ton in an attempt to secure export licenses in order to sell rice for higher prices overseas. (Al Mal, 7/5/2009, 7/6/2009)

Egypt to Make New Investment in Electricity Sector

15. (U) The Ministry of Electricity and Energy approved LE120 billion (US\$21.4 billion) for construction, beginning in FY 2012/13, of nine new power stations with a combined capacity of 11,000 MW, part of the Ministry's five-year plan to renovate and expand Egypt's national electricity grid. The new stations, expected to be operational within five years of the beginning of construction, will generate electricity through a combination of conventional natural gas and alternative sources of energy, such as wind and thermal power. However, press reports indicate that the Ministry of

Petroleum, which controls natural gas pipelines and fuel for the new power plants, has not yet approved the five-year plan, casting doubt on its feasibility. According to reports, the Ministry of Petroleum has rejected using a natural gas line in Upper Egypt to operate some of the planned new stations, arguing that the line is designed only to supply factories and houses and would not be able to supply power stations. (Al Ahram, 6/25/2009, Al Masry Al Youm, 6/30/2009)

Egypt Releases Competitiveness Report

16. (U) The forthcoming 2008 Egyptian Competitiveness Report, published by the Egyptian National Competitiveness Council, warns that the global financial crisis will strain existing weaknesses in Egypt's economy, particularly the large fiscal deficit, underdeveloped financial sector, and high inflation. According to media coverage, the Competitiveness report stated that the global downturn would be a difficult test for the Egyptian economy's "strong foundations," but that ultimately Egypt would be able to sustain growth, though at a lower rate than in recent years. In statements to the Egyptian newspaper Al Masry Al Youm, the Egyptian Minister of Trade and Industry, Rachid Mohamed Rachid, approved of the report's conclusions and recommendations, particularly with respect to the importance of improving levels of human development in Egypt. (Al Masry Al Youm, 6.30.2009)

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